

Message Text

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PAGE 01 RIO DE 02504 012055Z
ACTION AGR-10

INFO OCT-01 ARA-10 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
L-03 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 /104 W
-----012235Z 027621 /70

R 011901Z JUN 77
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 4948
INFO AMCONSUL SAO PAULO
AMEMBASSY BRASILIA

UNCLAS RIO DE JANEIRO 2504

E. O. 11652: N/A
TAGS: EAGR, BR
SUBJ: BRAZILIAN SOYBEAN EXPORT POLICY

REF.: BRASILIA 4328, 4307, SAO PAULO 1384

1. MAY 31 BRAZILIAN PRESS REPORTED THAT CACEX, GOB FOREIGN
TRADE AGENCY, HAS RE-OPENED EXPORT REGISTRATIONS FOR SOY OIL.
ACCORDING TO ESTADO DE SAO PAULO 215,000 TONS HAVE ALREADY
BEEN REGISTERED AND THE BRAZILIAN GOVERNMENT INTENDS TO
MAINTAIN TOTAL 1977 SOY OIL EXPORTS BELOW THE 400,000 TON
ESTIMATE MADE AT THE BEGINNING OF THE YEAR.

2. EARLIER PRESS REPORTS FOCUSED ON BRAZILIAN TRADE REACTION
TO FINANCE MINISTER SIMMONSEN'S MAY 26 ANNOUNCEMENT THAT
THE PRICES FOR SOY OIL AND MEAL ON THE DOMESTIC MARKET WOULD
REMAIN FIXED FOR THE REST OF 1977. GAZETA MERCANTIL QUOTED
AN ANDERSON CLAYTON EXECUTIVE: "THE FREEZING OF SOY OIL
AND MEAL PRICES DEMONSTRATES THAT THE EXPORT TAX WILL
NOT BE AS TEMPORARY AS MANY IMAGINED." THIS BUSINESSMAN
WENT ON TO SAY THAT THE CURRENT SUBSIDIES (CR\$38 PER CASE
OF 20 CANS (900 ML) OF SOY OIL; CR\$700 PER TON OF MEAL)
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ARE COMPENSATORY AND THE MARKET (PRICE) TENDENCY THROUGH
NOVEMBER SHOULD BE DOWNWARD WHICH OUGHT TO DIMINISH THE
INDUSTRY'S PRODUCTION COSTS (CURRENTLY 90 PERCENT OF WHICH
ARE THE COST OF SOY BEANS) AND THE VOLUME OF RESOURCES USED
FOR THE SUBSIDY. ACCORDING TO THIS REPORT ANDERSON CLAYTON'S
SOY SALES HAVE RECENTLY PICKED UP (IN VOLUME) BUT ARE STILL
BELOW NORMAL FOR THIS TIME OF YEAR WHICH INDICATES THAT

PRODUCERS ARE STILL HOLDING BACK THE PRODUCT. REPORTED COMMENTS FROM OTHER BRAZILIAN PRODUCERS, CRUSHERS AND TRADERS SUPPORTED CLAIM THAT CURRENT SUBSIDY LEVELS ARE ADEQUATE. THERE HAS BEEN, HOWEVER, SOME PRESS SPECULATION ON A POSSIBLE SQUEEZE ON PRODUCERS AS SOY BEAN PRICES FALL WHILE COSTS OF FERTILIZERS AND OTHER INPUTS INCREASE. IN MAY 28 O GLOBO SEVERAL SAO PAULO SOY BEAN CRUSHERS STATED THERE IS NO DOMESTIC SUPPLY PROBLEM FOR OIL AND MEAL, AND THEY DO NOT EXPECT ANY DIFFICULTY OVER THE NEXT FEW MONTHS.

3. SOY BEAN EXPORTS CONTINUE TO BE SLUGGISH. JORNAL DO BRAZIL (MAY 27) REPORTED THAT, OF THE 1.3 MILLION TONS OF SOY BEANS FREED FOR EXPORT BY CACEX, ONLY 580,000 TONS HAVE BEEN SOLD AND LESS THAN HALF (194,000 TONS THROUGH APRIL 30) HAVE BEEN SHIPPED. THE REPORT CITES A RIO GRANDE DO SUL TRADE SOURCE THAT THE MARKETING OF SOY BEANS HAS BEEN INJURED NOT ONLY BY THE "INSTABILITY OF THE INTERNATIONAL MARKET BUT ALSO BY A SERIES OF GOVERNMENT MEASURES (EXPORT TAX AND IMMEDIATELY AFTERWARDS AN INCREASE IN ITS RATE) AND DISRUPTIVE ACTIONS ON THE PART OF SPECULATORS."

4. EMBASSY CONCURS.
SIMMONS

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